

Facts for Consumers



Invention Promotion Firms

Think you have a great idea for a new product or service? You're not alone. Every year, tens of thousands of people try to develop their ideas and commercially market them.

Some people try to sell their idea or invention to a manufacturer that would market it and pay royalties. But finding a company to do that can be overwhelming. As an alternative, others use the services of an invention or patent promotion firm. Indeed, many inventors pay thousands of dollars to firms that promise to evaluate, develop, patent, and market inventions... and then do little or nothing for their fees.

Unscrupulous promoters take advantage of an inventor's enthusiasm for a new product or service. They not only urge inventors to patent their ideas or invention, but they also make false and exaggerated claims about the market potential of the invention. The facts are:

- ✓ few inventions ever make it to the marketplace; and
- ✓ getting a patent doesn't necessarily increase the chances of commercial success.

There's great satisfaction in developing a new product or service and in getting a patent. But when it comes to determining market potential, inventors should proceed with caution as they try

to avoid falling for the sweet-sounding promises of a fraudulent promotion firm.



Using Patent or Invention Promotion Firms

Advertisements for invention promotion firms are on television, radio and the Internet, and in newspapers and magazines. These ads target independent inventors with offers of free information on how to patent and market their inventions. Often, however, the information is about the promoter.

If you respond to the ads—which may urge you to call a toll-free number—you may hear back from a salesperson who will ask for a sketch of the invention and information about your idea and you. As an inducement, a firm may offer to do a free preliminary review of your invention.

Some invention promotion firms may claim to know or have special access to manufacturers who are likely to be interested in licensing your invention. In addition, some firms may claim to represent manufacturers on the lookout for new product ideas. Ask for proof before you sign a contract with any invention promotion firm that claims special relationships with manufacturers.



Federal Trade Commission
Bureau of Consumer Protection
Office of Consumer & Business Education
(202) FTC-HELP www.ftc.gov
July 1997

Produced in cooperation with the
U.S. Patent and Trademark Office

After giving your invention a preliminary review, a firm might tell you it needs to do a market evaluation of your idea—for a fee that can be several hundred dollars. Many questionable firms don't do any genuine research or market evaluations. The "research" is bogus, and the "positive" reports are mass produced in an effort to sell clients on additional invention promotion and marketing services. Fraudulent invention promotion firms don't offer an honest appraisal of the merit, technical feasibility, or market potential of an invention.

Some invention promotion firms also may offer a contract in which they agree to help you market and license your invention to manufacturers. Unscrupulous promoters may require you to pay a fee of several thousand dollars in advance. Reputable licensing agents usually don't rely on large advance fees. Rather, they depend on royalties from the successful licensing of client inventions. How can they make money when so few inventions achieve commercial success? They're choosy about which ideas or inventions they pursue. If a firm is enthusiastic about the market potential of your idea—but charges you a fee in advance—take your business elsewhere.



Heads Up

If you're interested in working with an invention promotion firm, here's information that can help you avoid making a costly mistake.

✓ Many fraudulent invention promotion firms offer inventors two services in a two-step process: one involves a research report or market evaluation of your idea that can cost you hundreds of dollars. The other involves patenting or marketing and licensing services, which can cost you several thousand dollars. Early in your discussion with a promotion firm, ask for the total cost of its services, from the "research" about your invention through the marketing and licensing. Walk away if the salesperson hesitates to answer.

✓ Many fraudulent companies offer to provide invention assistance or marketing services in exchange for advance fees that can range from \$5,000 to \$10,000. Reputable licensing agents rarely rely on large upfront fees.

✓ Unscrupulous invention promotion firms tell *all* inventors that their ideas are among the relative few that have market potential. The truth is that most ideas don't make any money.

✓ Many questionable invention promotion firms claim to have a great record licensing their clients' inventions successfully. Ask the firm to disclose its success rate, as well as the names and telephone numbers of their recent clients. Success rates show the number of clients who made more money from their inventions than they paid to the firm. Check the references. In several states, disclosing the success rate is the law.

✓ Ask an invention promotion firm for its rejection rate—the percentage of all ideas or inventions that the invention promotion firm finds unacceptable. Legitimate firms generally have high rejection rates.

✓ Fraudulent invention promotion firms may promise to register your idea with the U.S. Patent and Trademark Office's Disclosure Document Program. Many scam artists charge high fees to do this. The cost of filing a disclosure document in the PTO is \$10. The disclosure is accepted as evidence of the date of conception of the invention, but it doesn't offer patent protection.

✓ Unscrupulous firms often promise that they will exhibit your idea at tradeshows. Most invention promotion scam artists don't go to these tradeshows, much less market your idea effectively.

✓Many unscrupulous firms agree in their contracts to identify manufacturers by coding your idea with the U.S. Bureau of Standard Industrial Code (SIC). Lists of manufacturers that come from classifying your idea with the SIC usually are of limited value.



Common Sense Tips

Contracting for the services of an invention promotion firm is no different from making many other major purchases. Apply the same common sense.

✓Question claims and assurances that your invention will make money. No one can guarantee your invention's success.

✓Investigate the company before you make any commitment. Call the Better Business Bureau, the consumer protection agency, and the Attorney General in your city or state, and in the city or state where the company is headquartered to find out if there are any unresolved consumer complaints about the firm.

✓Make sure your contract contains all the terms you agreed to—verbal and written—before you sign. If possible, ask an attorney to review the agreement.

✓Remember that once a dishonest company has your money, it's likely you'll never get it back.



For More Information

The Patent and Trademark Office offers information about patents, trademarks, and copyrights. Write to the U.S. Department of Commerce, Patent and Trademark Office, Washington, D.C. 20231; call toll-free at 1-800-PTO-9199; or visit **www.uspto.gov** on the World Wide Web. For more information about the Disclosure Document Program, call 703-308-4357. In addition, every state has a Patent and Trademark Depository Library that maintains collections of current and previously-issued patents and Patent and Trademark reference materials.

You can visit the FTC at **www.ftc.gov** on the Internet. Click on ConsumerLine for brochures on a variety of consumer issues. You also can request a copy of **Best Sellers**, a complete list of FTC publications, from: Consumer Response Center, Federal Trade Commission, Washington, D.C. 20580; 202-FTC-HELP (382-4357). TDD: 202-326-2502.

Finally, you may contact the National Congress of Inventor Organizations toll-free at 1-888-695-4455 or at **www.inventionconvention.com/ncio.index.html** on the World Wide Web.